

(e) *Undeliverable Distributions* Section 4.3(E)(1) of the Plan designates the addresses to be used for the distribution of property in connection with the Plan. Section 4.3(E)(2) of the Plan addresses undeliverable distributions and Section 4.3(E)(4) of the Plan provides that any property that remains undeliverable to the holders of Allowed Claims as of the later of the Final Distribution Date and the date that is two years after the Effective Date will be delivered to, and become the property of, Arch

(f) *Compliance with Tax Requirements*

(i) Section 4.3(F)(1) of the Plan provides that in connection with the Plan, to the extent applicable, the Reorganized Debtors will comply with all tax withholding and reporting requirements imposed on them by any governmental unit, and all distributions pursuant to the Plan that may be necessary or appropriate to comply with such withholding and reporting requirements.

(ii) Section 4.3(F)(2) of the Plan provides that notwithstanding any other provision of the Plan, each entity that has received any distribution pursuant to the Plan will have sole and exclusive responsibility for the satisfaction and payment of any tax obligation imposed by any governmental unit, including income, withholding and other tax obligations, on account of such distribution.

2. Continuation of Employment Agreements and Benefits Agreements.

Section 3.2(C) of the Plan provides that on the Effective Date, the Debtors will assume pursuant to sections 365 and 1123(b)(2) of the Code the employment and benefit agreements set forth on Schedule 1 to the Plan.

E. Effect of Plan Confirmation

1. Revesting of Assets.

Section 4.2(A) of the Plan provides that, except as provided in the Plan, all property of the estate, to the full extent of section 541 of the Code, and any and all other rights and assets of the Debtors of every kind and nature will, on the Effective Date of the Plan, revert in the Reorganized Debtors free and clear of all Liens, Claims and Interests other than those Liens, Claims and Interests retained or created pursuant to the Plan.

2. Discharge of Claims and Termination of Interests.

Section 6.1(A) of the Plan provides that except as provided in the Confirmation Order, the rights afforded under the Plan and the treatment of Claims and Interests under the Plan will be in exchange for and in complete satisfaction, discharge and release of all Claims and satisfaction or termination of all Interests, including any interest accrued on Claims from the Petition Date. Except as provided in the Plan or the Confirmation Order, Confirmation will, as

of the Effective Date: (a) discharge the Debtors from all Claims or other debts that arose before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Code, whether or not (i) a proof of claim based on such debt is filed or deemed filed pursuant to section 501 of the Code, (ii) a Claim based on such debt is allowed pursuant to section 502 of the Code, or (iii) the holder of a Claim based on such debt has accepted the Plan and (b) satisfy or terminate all Interests and other rights of equity security holders in the Debtors.

Section 6.1(B) of the Plan provides that as of the Effective Date, except as provided in the Plan or the Confirmation Order, all entities will be precluded from asserting against the Debtors or the Reorganized Debtors, or their respective successors or property, any other or further Claims, demands, debts, rights, causes of action, liabilities or equity interests based upon any act, omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date. In accordance with the foregoing, except as provided in the Plan or the Confirmation Order, the Confirmation Order will be a judicial determination, as of the Effective Date, of discharge of all such Claims and other debts and liabilities against the Debtors and satisfaction or termination of all Interests and other rights of equity security holders in the Debtors, pursuant to sections 524 and 1141 of the Bankruptcy Code, and such discharge will void any judgment obtained against the Debtors or the Reorganized Debtors at any time, to the extent that such judgment relates to a discharged Claim.

3. Term of Injunctions or Stays.

Section 6.2(A) of the Plan provides that except as provided in the Plan or the Confirmation Order, as of the Effective Date, all entities that have held, currently hold or may hold a Claim or other debt or liability that is discharged or an Interest or other right of an equity security holder that is terminated pursuant to the terms of the Plan are permanently enjoined from taking any of the following actions on account of any such discharged Claims, debts or liabilities or terminated Interests or rights: (a) commencing or continuing in any manner any action or other proceeding against the Debtors or the Reorganized Debtors or Arch or its subsidiaries or their respective property; (b) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order against the Debtors or the Reorganized Debtors or Arch or its subsidiaries or their respective property; (c) creating, perfecting or enforcing any lien or encumbrance against the Debtors or the Reorganized Debtors or Arch or its subsidiaries or their respective property; (d) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to the Debtors or the Reorganized Debtors or Arch or its subsidiaries or their respective property; and (e) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan.

Section 6.2(B) of the Plan provides that as of the Effective Date, all entities that have held, currently hold or may hold a claim, demand, debt, right, cause of action or liability that is released pursuant to the Plan are permanently enjoined from taking any of the following actions on account of such released claims, demands, debts, rights, causes of action or liabilities: (a) commencing or continuing in any manner any action or other proceeding; (b) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order; (c)

creating, perfecting or enforcing any lien or encumbrance; (d) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to any released entity; and (e) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan.

Section 6.2(C) of the Plan provides that by accepting a distribution pursuant to the Plan, each holder of an Allowed Claim receiving such distribution pursuant to the Plan will be deemed to have specifically consented to the injunctions set forth in Section 6.2 of the Plan.

F. Executory Contracts and Unexpired Leases

Article III of the Plan provides for assumption or rejection of the Debtors' executory contracts and unexpired leases not assumed or rejected prior to the Confirmation Date.

1. Rejected Contracts.

Section 3.1 of the Plan provides that no later than 25 days prior to the Voting Deadline, the Debtors, at the direction of Arch, will prepare a schedule of the executory contracts and unexpired leases to be rejected on the Effective Date (the "Rejection Schedule"). The Rejection Schedule will be filed and served on each party to an executory contract or unexpired lease listed thereon to be rejected by the Debtors no later than twenty days prior to the Voting Deadline. Any claims for damages arising from the rejection of an executory contract or unexpired lease listed on the Rejection Schedule must be filed by the Voting Deadline and will be determined, if necessary, at Confirmation. The Rejection Schedule may be amended from and after the Confirmation Date for sixty days thereafter (but in no event after the Effective Date) by the Debtors at the direction of Arch and with notice to any party to an executory contract or unexpired lease added to or removed from such schedule. Any claims for damages arising from the rejection of an executory contract or unexpired lease rejected after the Confirmation Date pursuant to Section 3.1 of the Plan must be filed within 20 days after receipt of notice of rejection of such contract. Any such Claims not filed within the applicable 20-day period will be barred and may not thereafter be asserted.

2. Assumed Contracts.

Section 3.2(A) of the Plan provides that each executory contract or unexpired lease of the Debtors that has not expired by its own terms prior to the Effective Date, has not been rejected during the Cases prior to Confirmation, is not subject to a notice of rejection and is not rejected under the Plan will, by the terms of the Plan, be assumed by Reorganized MCCA pursuant to sections 365 and 1123(b)(2) of the Code on the Effective Date. All such assumed contracts, unexpired leases, franchises and permits, and any contracts or unexpired leases assumed by the Debtors by order of the Bankruptcy Court prior to the Confirmation Date, will be vested in and continue in effect for the benefit of the Reorganized Debtors.

Section 3.2(B) of the Plan provides that the Debtors will, at least twenty days

prior to the Voting Deadline, file and serve on all parties to executory contracts and unexpired leases to be assumed as of the Effective Date, and on the Pre-Petition Agent, the Committee and Arch, a schedule setting forth the amount of cure and compensation payments to be provided by the Reorganized Debtors in accordance with section 365(b)(1) of the Code, which schedule will be acceptable to Arch. Objections to any such proposed cure payment must be made by the Voting Deadline, and will be determined, if necessary, at the Confirmation Hearing. In the event the Debtors amend the Rejection Schedule pursuant to Section 3.1 of the Plan after the Confirmation Date to remove an executory contract or unexpired lease therefrom, the Debtors will, within five days after such amendment to the Rejection Schedule, file and serve on all parties to executory contracts and unexpired leases to be assumed as a result of any such Schedule amendment, and on the Pre-Petition Agent, the Committee and Arch, a supplemental schedule setting forth the amount of cure and compensation payments to be provided by the Reorganized Debtors in accordance with section 365(b)(1) of the Code, which supplemental schedule of cure payments will be reasonably acceptable to Arch. Objections to any proposed cure payment set forth in the supplemental schedule must be made within 20 days after receipt thereof. A party to an assumed executory contract or unexpired lease that has not filed an appropriate pleading with the Bankruptcy Court on or before the applicable 20-day period will be deemed to have waived its right to dispute such amount. All unpaid cure and compensation payments under any executory contracts or unexpired leases that are assumed or assumed and assigned under the Plan (including, without limitation, Claims filed in the Cases or listed in the Schedules and Allowed by order of the Bankruptcy Court prior to the Confirmation Date that relate to executory contracts or unexpired leases that are assumed or assumed and assigned under the Plan) will be made by the Reorganized Debtors as soon as practicable after the Effective Date, but not later than thirty days after the Effective Date; provided, that, in the event of a dispute regarding the amount of any cure and compensation payments, the Reorganized Debtors will make such cure and compensation payments as may be required by section 365(b)(1) of the Code following the entry of a Final Order resolving such dispute.

3. Post-Petition Contracts and Leases.

Section 3.3 of the Plan provides that all contracts and leases entered into or assumed by the Debtors after the Petition Date, including (a) the Tower Sale Agreement and (b) the Master Lease between Communications and Pinnacle Towers Inc. entered into pursuant to the Tower Sale Agreement, but excluding the DIP Credit Agreement, will be deemed assigned by the Debtors to Reorganized MCCA on the Effective Date

G. Other Plan Provisions

1. Management and Operation of the Debtors.

Section 4.1(B)(1) of the Plan provides that after the Confirmation Date and until the Effective Date, the Debtors will be managed by substantially the same personnel that managed and operated the Debtors on the Confirmation Date, subject to such changes as may be determined by the Board of Directors of a Debtor in accordance with the Bylaws and Articles or

Certificate of Incorporation of such Debtor. During such period, the Debtors will: (a) conduct their business in the usual, regular and ordinary course, in a manner consistent with past practice, sound business practice and the terms of the Plan and the Merger Agreement, and subject to their obligations as debtors-in-possession pursuant to the Code; (b) use their best efforts to preserve intact their respective business organizations and goodwill, keep available the services of their key employees and preserve the goodwill and business relationships with suppliers, distributors, customers and others with whom they have business relationships; (c) take no actions inconsistent with the Plan; (d) use their best efforts to satisfy the conditions to the effectiveness of the Plan; and (e) make cash payments, and otherwise conduct cash management, in the ordinary course of their business and in a manner consistent with the terms of the Plan.

2. Estate Representative.

Section 4.2(C)(5) of the Plan provides that within 15 days after the Confirmation Date, the Committee will designate a person, subject to Arch's and the Debtors' consent (which consent will not be unreasonably withheld) (the "Estate Representative"), who will be responsible for the winding up of the Debtors' estates after the Effective Date. The Estate Representative will have the authority to hire counsel and other advisors, to prosecute and settle Disputed Claims, to oversee distributions by the Exchange Agent, to pursue any preserved Causes of Action and otherwise to effect the closing of the Cases. The Estate Representative will be reimbursed for all reasonable expenses incurred in the performance of his or her duties as Estate Representative by Arch based on a monthly budget to be submitted to Arch no later than ten Business Days prior to the end of each month after the Effective Date for the succeeding month, which budget will set forth in reasonable detail the proposed activities to be undertaken by the Estate Representative during such month and the estimated costs and expenses therefor. If Arch does not object to such budget within five Business Days after receipt thereof, it will be the final budget for such month. At least once every calendar quarter, the Estate Representative will report to Arch on the material activities taken in the prior quarter and to be taken in the succeeding quarter, which activities will be reasonably acceptable to Arch.

3. Continuation of Committee.

Section 4.1(B)(2) of the Plan provides that the Committee will continue to exist after the Confirmation Date until the Effective Date with the same power and authority, and the same ability to retain and compensate professionals, as it had prior to the Confirmation Date, and will be dissolved on the Effective Date.

4. Termination of Subordination Rights and Settlement of Related Claims and Controversies.

Section 6.3(A) of the Plan provides that the classification and manner of satisfying all Claims and Interests under the Plan takes into consideration all contractual, legal and equitable subordination and turnover rights, whether arising under general principles of equitable subordination, section 510(c) of the Code or otherwise, that a holder of a Claim or Interest or the

Debtors may have against other Claim holders with respect to any distribution made pursuant to the Plan. On the Effective Date, all contractual, legal, equitable subordination and turnover rights that a holder of a Claim or Interest or the Debtors may have with respect to any distribution to be made pursuant to the Plan will be discharged and terminated, and all actions related to the enforcement of such subordination rights will be permanently enjoined. Accordingly, distributions pursuant to the Plan to holders of Allowed Claims will not be subject to payment to a beneficiary of such terminated subordination rights, or to levy, garnishment, attachment or other legal process by a beneficiary of such terminated subordination rights.

Section 6.3(B) of the Plan provides that pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan will constitute a good faith compromise and settlement of all claims or controversies relating to the enforcement or termination of all contractual, legal and equitable subordination and turnover rights that a holder of a Claim or Interest or the Debtors may have with respect to any Allowed Claim or Interest, or any distribution to be made pursuant to the Plan on account of such Claim. The entry of the Confirmation Order will constitute the Bankruptcy Court's approval of the compromise or settlement of all such claims or controversies and the Bankruptcy Court's finding that such compromise or settlement is in the best interests of the Debtors and the Reorganized Debtors and their respective property and Claim and Interest holders, and is fair, equitable and reasonable.

5. Sale of Rights Reserve.

Section 4.1(B)(5) of the Plan provides that Arch will select an agent independent of Arch (as such term is defined in Regulation M promulgated under the Securities Exchange Act of 1934), which independent agent will be reasonably acceptable to the Debtors and the Committee, to sell Rights from the Rights Reserve in the over-the-counter market on a date or dates no more than five business days in advance of the Rights Offering Expiration Date. All proceeds derived from such sale will be distributed to Arch.

6. Release of Security Interests.

Section 4.11 of the Plan provides that within ten Business Days after the Confirmation Date, the Pre-Petition Agent will deliver to Communications UCC-3 termination statements and such other documents as are reasonably requested by Communications to evidence the termination of the security interests granted to the Pre-Petition Agent to secure amounts outstanding under the 1995 Credit Agreement, which statements and other documents will be held by Communications in escrow and released for filing only upon receipt by the Pre-Petition Agent of the distribution provided for in Section 4.3(A) of the Plan.

7. Retention and Enforcement of Causes of Action.

Section 7.2 of the Plan provides that pursuant to section 1123(b)(3)(B) of the Code, but subject to Sections 7.3 and 7.4 of the Plan, the Reorganized Debtors, on behalf of

themselves and holders of Allowed Claims and Interests, will retain all Causes of Action that the Debtors had or had power to assert immediately prior to the Effective Date, and may commence or continue in any appropriate court or tribunal any suit or other proceeding for the enforcement of such Causes of Action. All Causes of Action will remain the property of the Reorganized Debtors. Nothing contained in the Plan will constitute a waiver of the rights, if any, of the Debtors or the Reorganized Debtors to a jury trial with respect to any Cause of Action or objection to any Claim or Interest.

8. Limitation of Liability.

Section 7.3 of the Plan provides that none of the Debtors, the Reorganized Debtors, Arch or any affiliate thereof, the Committee, the Pre-Petition Agent, the Pre-Petition Lenders, the DIP Agent, the DIP Lenders, the Standby Purchasers, the indenture trustees for the Notes, Arch's financing sources, nor any of their respective officers, directors, employees, members, agents, underwriters or investment bankers, nor any other professional Persons employed by any of them (collectively, the "Exculpated Persons"), will have or incur any liability to any Person for any act taken or omission made in good faith in connection with or related to formulating, negotiating, implementing, confirming or consummating the Plan, the Disclosure Statement or any contract, instrument, release or other agreement or document created in connection with the Plan. The Exculpated Persons will have no liability to any Debtor, holder of a Claim, holder of an Interest, other party in interest in the Cases or any other Person for actions taken or not taken under the Plan, in connection herewith or with respect hereto, or arising out of their administration of the Plan or the property to be distributed under the Plan, in good faith, including, without limitation, failure to obtain Confirmation of the Plan or to satisfy any condition or conditions, or refusal to waive any condition or conditions, to the occurrence of the Effective Date, and in all respects such Exculpated Persons will be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

9. Releases.

Section 7.4 of the Plan provides that on the Effective Date, the Reorganized Debtors will release unconditionally, and are deemed to release unconditionally, (a) each of the Debtors' (i) present officers and directors, (ii) former officers and directors (other than those former officers and directors considered or determined as of the Effective Date by the FCC to be alleged or actual wrongdoers for purposes of the Debtors' FCC Proceeding), (iii) the entities that elected such directors to the extent they are or may be liable for the actions or inactions of such directors and (iv) their respective professional advisers (collectively, the "Officer and Director Releasees"), (b) each of (i) the Pre-Petition Lenders, the Pre-Petition Agent, the DIP Lenders and the DIP Agent and (ii) their respective professional advisers (collectively, the "Lender Releasees"), (c) (i) each member of the Committee, the Committee and their respective present or former members, officers, directors, employees, affiliates, advisors, attorneys or agents (collectively, the "Representatives"), (ii) the Standby Purchasers and their Representatives, and (iii) their respective professional advisers (collectively, the "Creditor Releasees"), (d) Arch, any affiliate of Arch, or Arch's financing sources, agents, underwriters and investment bankers and

their respective professional advisers (collectively, the "Arch Releasees") from any and all claims, obligations, suits, judgments, damages, rights, causes of action and liabilities whatsoever (including, without limitation, those arising under the Code), whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, based in whole or in part on any act, omission, transaction, event or other occurrence taking place before, on or after the Petition Date up to the Effective Date, in any way relating to the Debtors (before, on or after the Petition Date), the Cases or the Plan (collectively, the "Released Matters"); provided, that the foregoing release will not apply to any action or omission that constitutes actual fraud or criminal behavior; and provided, further, that such release will not be granted to any Officer or Director Releasee who has a Disputed Claim as of the Effective Date.

Section 7.4(E) of the Plan provides that on the Effective Date, Arch and its subsidiaries will be deemed to have unconditionally released the Officer and Director Releasees, the Lender Releasees and the Creditor Releasees from the Released Matters; provided, that the foregoing release will not apply to any action or omission that constitutes actual fraud or criminal behavior; and provided, further, that such release shall not be granted to any Officer or Director Releasee who has a Disputed Claim as of the Effective Date.

Section 7.4(F) of the Plan provides that on the Effective Date, each holder of a Claim that is entitled to vote on the Plan will be deemed to have unconditionally released the Officer and Director Releasees, the Lender Releasees, the Creditor Releasees and the Arch Releasees from the Released Matters; provided, that the foregoing release will not apply to any action or omission that constitutes actual fraud or criminal behavior and will not constitute a release of any recovery such holder would be entitled to as a plaintiff or putative plaintiff in the Securities Actions or any action initiated after the date hereof based upon similar factual allegations or alleging similar causes of action to the Securities Actions; and provided, further, that a holder (other than Arch) may elect, by checking the appropriate box or boxes provided on the Ballot, not to grant such release as to the Officer and Director Releasees, the Lender Releasees, the Creditor Releasees or the Arch Releasees or all of them.

Section 7.4(G) of the Plan provides that the Confirmation Order will contain a permanent injunction to effectuate the releases granted in Sections 7.4(A), (B), (C), (D), (E) and (F) of the Plan and that any release granted pursuant to Sections 7.4(A), (B), (C), (D), (E) and (F) of the Plan will be ineffective and null and void automatically and immediately upon the assertion by any released party of any claim in any manner or in any forum against any party that granted the release, and that all Causes of Action that the Debtors had or had the power to assert immediately prior to the Effective Date with respect to any such party will be preserved and become the property of the Reorganized Debtors pursuant to Section 7.2 of the Plan.

10. Indemnification Obligations; Directors' and Officers' Liability Insurance.

Section 7.5(A) of the Plan provides that Director Indemnification Obligations and Excluded Indemnification Obligations will be deemed to be, and will be treated as if they are, executory contracts that are rejected pursuant to section 365 of the Code. Any Claims arising out

of the rejection of the Indemnification Obligations pursuant to Section 7.5(A) of the Plan will be subordinated in full under sections 510(b) and 510(c) of the Code.

Section 7.5(B) of the Plan provides that Benefit Plan Indemnification Obligations and Indemnification Obligations with respect to officers and employees who are officers and employees of the Debtors as of the Effective Date (other than Excluded Indemnification Obligations) will be deemed to be, and will be treated as though they are, executory contracts that are assumed agreements under the Plan and such obligations (subject to any defenses thereto) will remain unaffected and will not be discharged or impaired hereby, and any Claim for reimbursement, contribution or indemnification filed by any such party will not be an Allowed Claim hereunder; provided, that the foregoing assumption will not affect any release of any such obligation given in writing to the Debtors before the Effective Date or to the Reorganized Debtors on or after the Effective Date or any other releases under Section 7.4 of the Plan.

Section 7.5(C) of the Plan provides that on the Effective Date, the Reorganized Debtors will purchase a "run-off" policy for the Debtors' current and former directors and officers (other than those former officers and directors considered or determined as of the Effective Date by the FCC to be alleged or actual wrongdoers for purposes of the Debtors' FCC Proceeding), which policy will provide for aggregate coverage up to \$40 million (or such lesser amount as can be purchased for a premium of \$750,000) for claims made during a period of at least three (3) years following the Effective Date based on alleged "wrongful acts" through the Effective Date, and will contain such other usual and customary terms and conditions as are approved by the Board of Directors of MobileMedia.

Section 7.5(D) of the Plan provides that as of the Effective Date, Arch will make available up to an aggregate amount of \$1,000,000 (the "Defense Fund") to be used by present and former officers and directors (other than those former officers and directors considered or determined as of the Effective Date by the FCC to be alleged or actual wrongdoers for purposes of the FCC Proceeding) of the Debtors solely for the costs and expenses (including reasonable attorneys' fees and expenses) of defending the Securities Actions not otherwise covered by the Debtors' insurance. The Defense Fund is being provided by Arch at its election and not in exchange for any Claim or Interest by any officer or director. Provision of the Defense Fund hereunder will not negate, constitute a waiver or modification of or otherwise impair the discharge of the Debtors and the Reorganized Debtors under sections 524 and 1141 of the Code and the Plan. As a condition to any officer or director obtaining amounts from the Defense Fund, such officer or director will deliver to Arch, at Arch's request, a release, in form and substance reasonably acceptable to Arch, confirming the unconditional release and discharge of the Arch Releasees and the Reorganized Debtors from the Released Matters. Any officer or director will be required to reimburse Arch for any amounts obtained from the Defense Fund that are subsequently covered by insurance.

11. Terms Binding.

Section 7.6 of the Plan provides that upon the entry of the Confirmation Order, all provisions of the Plan, including all agreements, instruments and other documents filed in

connection with the Plan and executed by the Debtors, Arch or the Reorganized Debtors in connection with the Plan, will be binding upon the Debtors, Arch, the Reorganized Debtors, all Claim and Interest holders and all other entities that are affected in any manner by the Plan. All agreements, instruments and other documents filed in connection with the Plan will have full force and effect, and will bind all parties thereto as of the entry of the Confirmation Order, whether or not such exhibits actually will be executed by parties other than the Debtors or the Reorganized Debtors, or will be issued, delivered or recorded on the Effective Date or thereafter.

12. Effectuating Documents, Further Transactions, Exemptions from Certain Transfer Taxes.

Section 4.10 of the Plan provides that the Chief Executive Officer, President, Chief Financial Officer or any Vice President of Reorganized Communications or the Debtors, or such other persons as the Bankruptcy Court may designate at the request of the Debtors, will be authorized to execute, deliver, file or record such contracts, instruments, releases, indentures and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and implement the provisions of the Plan. The Secretary or any Assistant Secretary of each Debtor or the Reorganized Debtors or such other persons as the Bankruptcy Court may designate at the request of the Debtors will be authorized to certify or attest to any of the foregoing actions.

Pursuant to section 1146(c) of the Code (a) the issuance, transfer or exchange of Arch Capital Shares, (b) the creation of any mortgage deed or trust or other security interest and (c) the making of any agreement or instrument in furtherance of, or in connection with, the Plan, including any merger agreements, agreements of consolidation, restructuring, disposition, liquidation or dissolution, deeds, bills of sale or assignments executed in connection with the Merger Agreement, will not be subject to any stamp, real estate transfer tax or similar tax.

13. Additional Terms of Securities and Other Instruments.

Any modification of the Merger Agreement, the Arch Warrants, Arch Common Shares and Arch Class B Common Shares, and all other securities or agreements issued or entered into pursuant to the Plan after the Voting Deadline, will be treated as a Plan modification and will be governed by section 1127 of the Code.

14. Severability.

If the Bankruptcy Court determines at the Confirmation Hearing that any material provision of the Plan is invalid or unenforceable, such provision, to the extent the Debtors, Arch and the Committee agree, but subject to section 1127 of the Code, will be severable from this Plan and null and void, and, in such event, such determination will in no way limit or affect the enforceability or operative effect of any or all other portions of the Plan.

H. Ownership and Resale of Securities; Exemption From Securities Laws

Holders of Allowed Class 6 Claims will receive (a) Arch Common Shares (the "Arch Plan Shares") and (b) assuming such Class 6 Claims are allowed as of the Rights Offering Supplemental Record Date, Rights. Each Right will entitle the holder thereof to purchase one Unit.²¹ Each Unit is comprised of one Arch Common Share (as described above, certain large holders may receive Arch Class B Common Shares in lieu of Arch Common Shares in the event certain ownership thresholds are exceeded) and, if no Rights Offering Adjustment has occurred, a fraction of an Arch Warrant.²² In addition, as consideration for entering into Standby Purchase Commitments, the Standby Purchasers will receive, if no Rights Offering Adjustment has occurred, Arch Warrants, or, if a Rights Offering Adjustment has occurred, Arch Participation Warrants, in either case which will enable them to purchase, in the aggregate, 2.5% of the issued and outstanding Arch Capital Shares computed on a Fully Diluted Basis on the date the "Buyer Market Price" is determined in accordance with Schedule II to the Merger Agreement.

The Debtors believe that the provisions of section 1145(a)(1) of the Code exempt the offer and distribution of the Arch Common Shares that constitute the Creditor Stock Pool from federal and state securities registration requirements. Arch has filed (or intends to file) registration statements with the SEC with respect to (a) the Rights, (b) the Arch Common Shares, the Arch Class B Common Shares and the Arch Warrants (if applicable) issuable upon exercise of the Rights or otherwise to the Standby Purchasers, (c) the Arch Stockholder Rights, (d) the Arch Common Shares issuable upon exercise of the Arch Stockholder Rights, (e) the Arch Participation Warrants, if issued and (f) the Arch Common Shares issuable upon exercise of the Arch Warrants or Arch Participation Warrants (as applicable).

1. Bankruptcy Code Exemption From Registration Requirements.

(a) *Initial Offer and Sale of Securities.* Section 1145(a)(1) of the Code exempts the offer and sale of securities under a plan of reorganization from registration under the Securities Act and state laws if three principal requirements are satisfied: (i) the securities must be offered and sold under a plan of reorganization and must be securities of the debtor, of an affiliate participating in a joint plan with the debtor or of a successor to the debtor under the plan; (ii) the recipient of the securities must hold a pre-petition or administrative claim against, or an interest in, the debtor; and (iii) the securities must be issued entirely in exchange for the

²¹ As described above, if fewer than all of the holders of Allowed Class 6 Claims exercise the Rights, certain Standby Purchasers have committed to purchase the common stock and, if no Rights Offering Adjustment has occurred, the Arch Warrants not otherwise purchased in connection with the Rights.

²² The fraction of an Arch Warrant that will be included in each Unit will equal the fraction obtained by dividing (i) the total number of Arch Warrants purchasable upon exercise of Rights by (ii) the total number of Arch Capital Shares purchasable upon exercise of Rights (which will be based on the pricing mechanism set forth in Schedule II to the Merger Agreement).

recipient's claim against or interest in the debtor, or principally in such exchange and partly for cash or property. The Debtors believe that the offer of the Arch Common Shares that constitute the Creditor Stock Pool satisfies the requirements of section 1145(a)(1) of the Code and is, therefore, exempt from registration under the Securities Act and state securities laws.

(b) *Subsequent Transfers of Securities.* In general, all resales and subsequent transactions in the Arch Common Shares that constitute the Creditor Stock Pool will be exempt from registration under the Securities Act pursuant to section 4(1) of the Securities Act, unless the holder thereof is deemed to be an "underwriter" with respect to such securities, an "affiliate" of the issuer of such securities or a "dealer". Section 1145(b) of the Code defines four types of "underwriters":

- (i) persons who purchase a claim against, an interest in or a claim for administrative expense against the debtor with a view to distributing any security received in exchange for such a claim or interest ("accumulators");
- (ii) persons who offer to sell securities offered under a plan for the holders of such securities ("distributors");
- (iii) persons who offer to buy securities offered under a plan from the holders of such securities, if the offer to buy is (x) with a view to distributing such securities and (y) made under a distribution agreement; or
- (iv) a person who is an "issuer" with respect to the securities, as the term "issuer" is defined in section 2(11) of the Securities Act.

Under section 2(11) of the Securities Act, an "issuer" includes any "affiliate" of the issuer, which means any person directly or indirectly through one or more intermediaries controlling, controlled by or under common control with the issuer. Under section 2(12) of the Securities Act, a "dealer" is any person who engages either for all or part of his or her time, directly or indirectly, as agent, broker or principal, in the business of offering, buying, selling or otherwise dealing or trading in securities issued by another person. Whether any particular person would be deemed to be an "underwriter" or an "affiliate" with respect to the Arch Common Shares that constitute the Creditor Stock Pool or to be a "dealer" would depend upon various facts and circumstances applicable to that person. Accordingly, the Debtors express no view as to whether any person would be an "underwriter" or an "affiliate" with respect to the Arch Common Shares that constitute the Creditor Stock Pool or would be a "dealer".

The SEC has taken the position that resales by accumulators and distributors of securities distributed under a plan of reorganization who are not affiliates of the issuer of such securities are exempt from registration under the Securities Act if effected in "ordinary trading transactions". The staff of the SEC has indicated in this context that a transaction by such non-affiliates may be considered an "ordinary trading transaction" if it is made on an exchange or in

the over-the-counter market and does not involve any of the following factors:

- (i) (x) concerted action by the recipients of securities issued under a plan in connection with the sale of such securities or (y) concerted action by distributors on behalf of one or more such recipients in connection with such sales;
- (ii) the use of informational documents concerning the offering of the securities prepared or used to assist in the resale of such securities, other than a bankruptcy court-approved disclosure statement and supplements thereto, and documents filed with the SEC pursuant to the Exchange Act; or
- (iii) the payment of special compensation to brokers and dealers in connection with the sale of such securities designed as a special incentive to the resale of such securities (other than the compensation that would be paid pursuant to arm's-length negotiations between a seller and a broker or dealer, each acting unilaterally, not greater than the compensation that would be paid for a routine similar-sized sale of similar securities of a similar issuer).

The views of the SEC on the matter have not, however, been sought by the Debtors and, therefore, no assurance can be given regarding the proper application of the "ordinary trading transaction" exemption described above. Any person intending to rely on such exemption is urged to consult his or her own counsel as to the applicability thereof to his or her circumstances.

Securities Act Rule 144 provides an exemption from registration under the Securities Act for certain limited public resales of unrestricted securities by "affiliates" of the issuer of such securities. Rule 144 allows a holder of unrestricted securities that is an affiliate of the issuer of such securities to sell, without registration, within any three-month period a number of shares of such unrestricted securities that does not exceed the greater of one percent (1%) of the number of outstanding securities in question or the average weekly trading volume in the securities in question during the four calendar weeks preceding the date on which notice of such sale was filed pursuant to Rule 144, subject to the satisfaction of certain other requirements of Rule 144 regarding the manner of sale, notice requirements and the availability of current public information regarding the issuer. The Debtors believe that, pursuant to section 1145(c) of the Code, the unregistered securities being distributed under and in connection with the Plan will be unrestricted securities for purposes of Rule 144.

GIVEN THE COMPLEX NATURE OF THE QUESTION OF WHETHER A PARTICULAR PERSON MAY BE AN UNDERWRITER, THE DEBTORS MAKE NO REPRESENTATIONS CONCERNING THE RIGHT OF ANY PERSON TO TRADE IN THE ARCH PLAN SHARES. THE DEBTORS RECOMMEND THAT HOLDERS OF CLAIMS

CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH SECURITIES.

State securities laws generally provide registration exemptions for subsequent transfers by a bona fide owner for his or her own account and subsequent transfers to institutional or accredited investors. Such exemptions are generally expected to be available for subsequent transfers of the Arch Common Shares that constitute the Creditor Stock Pool.

(c) *Certain Transactions by Stockbrokers.* Under section 1145(a)(4) of the Code, stockbrokers effecting transactions in the Arch Common Shares that constitute the Creditor Stock Pool prior to the expiration of 40 days after the Effective Date are required to deliver to the purchaser of such securities a copy of this Disclosure Statement (and supplements hereto, if any, if ordered by the Bankruptcy Court) at or before the time of delivery of such securities to such purchaser.

2. Registration Rights.

Attached as Exhibit C to the Merger Agreement is the Registration Rights Agreement that Arch will execute with the Standby Purchasers. Section 4.9 of the Plan provides that each Person (other than the Standby Purchasers) that, as a result of the transactions contemplated by the Plan, becomes the beneficial owner (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934) of at least 10% of the outstanding Arch Capital Shares, will be entitled to become a party to a separate Registration Rights Agreement, substantially in the form attached to the Plan as Exhibit A.²³

THE DEBTORS DO NOT PRESENTLY INTEND TO SUBMIT ANY NO-ACTION OR INTERPRETATIVE REQUESTS TO THE SEC WITH RESPECT TO ANY SECURITIES LAWS MATTERS.

I. Certain Terms of Reorganization Securities Issued Under Plan

The following is a summary only, and is subject in all respects to the terms of the Plan and the documents executed in accordance with the Merger Agreement, which documents include the Buyer Warrant Agreement, the Registration Rights Agreement, Schedule III attached to the Merger Agreement entitled "Term Sheet for Rights Offering" and Schedule IV attached to the Merger Agreement entitled "Term Sheet for Stockholder Rights Offering". The Plan, the Merger Agreement and the actual filed documents may differ in certain respects from the following. The discussion contained in this Section and elsewhere in this Disclosure Statement is intended only to be a description of the terms of the Arch Common Shares, Arch Class B Common Shares, Rights, Arch Stockholder Rights, Arch Warrants and Arch Participation

²³ As addressed in Section IV.D.2, Arch also will enter into a Registration Rights Agreement with the Standby Purchasers.

Warrants to be issued under or in connection with the Plan, and the general manner in which such securities will be issued, and is not an offer to sell or the solicitation of an offer to buy any such securities (other than the Arch Common Shares that constitute the Creditor Stock Pool), and no such offer to sell or solicitation of an offer to buy any such securities will be deemed to be made by this Disclosure Statement or the Plan.

1. General Provisions of the Arch Common Shares.

Section 4.5(c) of the Plan provides that on and as of the Effective Date, Arch will issue the Arch Common Shares, par value \$.01 per share, to be distributed to the holders of Allowed Class 6 Claims, to all persons that exercised Rights and, if applicable, to the Standby Purchasers. Holders of Arch Common Shares are entitled to one vote per share, to receive dividends when and if declared by the Arch Board and, subject to any participating or similar rights of any series of Arch Preferred Stock at the time outstanding, to share ratably in the assets of Arch legally available for distribution to its stockholders in the event of liquidation. Holders of Arch Common Shares will have no preemptive, subscription, redemption or conversion rights. All Arch Common Shares issued in connection with the Merger will be fully paid and nonassessable. The holders of Arch Common Shares do not have cumulative rights.

2. General Provisions of the Arch Class B Common Shares.

Section 4.5 of the Plan provides on and as of the Effective Date, to the extent necessary under Section 4.1(A)(2) of the Plan and in lieu of Arch Common Shares, Arch Class B Common Shares, par value \$.01 per share, will be distributed to certain holders of Allowed Class 6 Claims, Persons that exercised Rights and the Standby Purchasers. The Arch Class B Common Shares are not entitled to vote in the election of directors and have voting rights equal to 1% of the voting rights of Arch Common Shares on all other matters. Upon transfer of the Arch Class B Common Shares from the Standby Purchasers to any other person, the shares will convert automatically into Arch Common Shares. The terms of the Class B Common Shares are specified in the Arch Charter Amendment attached as Exhibit F to the Merger Agreement.

3. General Provisions of the Rights

As soon as practicable after the later to occur of approval by the Bankruptcy Court of the Disclosure Statement and the effectiveness of the Registration Statement relating to the Rights (the "Rights Offering Commencement Date"), Arch will commence the Rights Offering by mailing to holders of Allowed Class 6 Claims as of the Rights Offering Initial Record Date certificates representing the Rights and instructions for the exercise thereof.

The Rights will be certificated, transferable rights issued by Arch for the purchase of (a) an aggregate number of Arch Capital Shares equal to approximately [52.1]²⁴-73.1% of

²⁴ Assumes that the Initial Buyer Market Price is \$6.25. It is expected that when the Initial Buyer Market Price Period concludes on September 22, 1998, the Initial Buyer Market Price will

the issued and outstanding Arch Capital Shares on the date the "Buyer Market Price" is determined in accordance with Schedule II to the Merger Agreement, computed on a Diluted Basis (such number of Arch Capital Shares being herein called the "Rights Shares"), and (b) if no Rights Offering Adjustment has occurred, Arch Warrants entitling the holders thereof to purchase, in the aggregate, a number of Arch Common Shares equal to 2.50% of the issued and outstanding Arch Capital Shares, computed on a Fully Diluted Basis on the date the "Buyer Market Price" is determined in accordance with Schedule II to the Merger Agreement. The Rights will be issued to certain holders of Allowed Class 6 Claims pursuant to the Rights Offering, and will have the terms set forth in Schedule III to the Merger Agreement. Each Right will be exercisable for one Unit. Each Right will entitle the holder thereof to purchase from Arch one Arch Common Share and, if no Rights Offering Adjustment has occurred, a fraction of an Arch Warrant (such fraction to be determined in accordance with Schedule II to the Merger Agreement), subject to the terms and conditions of such Right, for a purchase price equal to the Rights Exercise Price.

The Rights Exercise Price will be set based on the pricing mechanism set forth in Schedule II to the Merger Agreement (the "Pricing Mechanism"). The Pricing Mechanism provides for the closing trading price of the Arch Common Shares to be monitored during two distinct periods -- (i) for the 20 trading days immediately prior to September 22, 1998 (the "Initial Buyer Market Price Period") and (ii) the 15 trading days immediately following the Confirmation Date (the "Second Buyer Market Price Period"). During the Initial Buyer Market Price Period, the closing price of the Arch Common Shares for eight of such trading days [was] selected at random and the two highest and lowest prices [were] discarded and the prices for the remaining four days [was] averaged (the "Initial Buyer Market Price"). [The Initial Buyer Market Price was established as \$6.25.]²⁵ During the Second Buyer Market Price Period, the closing price of the Arch Common Shares for five of such trading days will be selected at random, the highest and lowest prices will be discarded and the prices for the remaining three days will be averaged (the "Second Buyer Market Price"); provided that the Second Buyer Market Price cannot be less than \$2.50. The Buyer Market Price will be the lower of \$6.25 -- the Initial Buyer Market Price -- and the Second Buyer Market Price. The Rights Exercise Price will be set at 80% of the Buyer Market Price; provided that in no event will the Rights Exercise Price be less than \$2.00. The Rights Offering Expiration Date will be a date approximately 35 days after the Confirmation Date, and the Rights can be exercised at any time until such date. The Confirmation Date will not occur until at least December 1998 and possibly later. Thus, the actual trading price of the Arch Common Shares on the Rights Offering Expiration Date and during the pendency of the Rights Offering may be either higher or lower than the Rights Exercise Price. ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THE RIGHTS

be established as \$6.25 and the brackets will be removed.

²⁵ It is expected that when the Initial Buyer Market Price Period concludes on September 22, 1998, the Initial Buyer Market Price will be established as \$6.25 and the brackets will be removed.

EXERCISE PRICE WILL BE BELOW THE MARKET PRICE OF THE ARCH COMMON SHARES AT ANY TIME DURING THE RIGHTS OFFERING.

Because not all Class 6 Claims will be Allowed Claims as of the Rights Offering Initial Record Date, Arch will place into a reserve a number of Rights equal to the product of the total number of Rights multiplied by a fraction, (i) the numerator of which is the sum of the estimated aggregate amount of (x) Disputed Class 6 Claims and (y) Claims arising from the rejection of executory contracts and unexpired leases pursuant to Section 3.1 of the Plan that are anticipated to become Allowed Claims, such estimate to be mutually agreed upon by the Debtors, the Committee and Arch, in good faith, or determined by the Bankruptcy Court if no such agreement can be reached, and (ii) the denominator of which is the sum of (x) Disputed Class 6 Claims, (y) Claims arising from the rejection of executory contracts and unexpired leases pursuant to Section 3.1 that are anticipated to become Allowed Claims, such estimate to be mutually agreed upon by the Debtors, the Committee and Arch, in good faith, or determined by the Bankruptcy Court if no such agreement can be reached, and (z) all Allowed Class 6 Claims as of such date.

On the Confirmation Date, Arch will distribute Rights to holders of Allowed Class 6 Claims that become allowed between the Rights Offering Initial Record Date and the Confirmation Date. Any Class 6 Claim that becomes an Allowed Class 6 Claim subsequent to the Confirmation Date will receive, in lieu of Rights, the cash value of the Rights that such Person would have been entitled to receive had such Claim been Allowed on the Confirmation Date, which value will be determined pursuant to Section 4.1(A)(3) of the Plan.

The Rights will expire on the "Rights Offering Expiration Date", which date will be established on or prior to the Confirmation Date, but will be not less than 15 calendar days after the later to occur of (a) the Rights Offering Adjustment Determination Date (as defined in Schedule II to the Merger Agreement) and (b) the date on which all the conditions to effectiveness of the Plan will have been satisfied or waived (other than (i) the requirement that the order entered by the FCC has become a Final Order in connection with the condition set forth in Section 5.1(e) of the Merger Agreement, and (ii) such conditions that by their nature are to be satisfied on the Effective Date).

4. General Provisions of the Arch Stockholder Rights.

As soon as practicable after the later to occur of approval by the Bankruptcy Court of this Disclosure Statement and the effectiveness of the Proxy Statement relating to the Arch Stockholder Rights, Arch will commence the Arch Stockholder Rights Offering by mailing to holders of Arch Common Shares as of a date to be determined by the Board of Directors of Arch (the "Arch Stockholder Record Date") certificates representing the Arch Stockholder Rights and instructions for the exercise thereof. The Arch Stockholder Rights will have the terms set forth in Schedule IV to the Merger Agreement.

The Arch Stockholder Rights -- which will become exercisable only if the Buyer

Market Price is below \$6.25 -- will enable Arch's existing shareholders to acquire Arch Common Shares that, together with the shares currently held thereby, would constitute 32.175% of the Arch Capital Shares outstanding following the Effective Date on a Fully Diluted Basis.²⁶ The Arch Stockholder Rights will be non-transferable except that, at Arch's election, they will transfer with the underlying Arch Common Shares in respect of which they were issued.

The exercise price for the Arch Stockholder Rights will be the same as the exercise price of the Rights, and will be set based on the pricing mechanism set forth in Schedule II to the Merger Agreement, described in Section V.I.3. The Arch Stockholder Rights Offering will expire on the same day as the expiration of the Rights Offering, which will be a date approximately 35 days after the Confirmation Date. The actual trading price of the Arch Common Shares on the expiration of the Arch Stockholder Rights Offering and during the pendency of the Arch Stockholder Rights Offering may be either higher or lower than the exercise price of the Arch Stockholder Rights.

5. General Provisions of the Arch Warrants.

The Plan provides that Arch will issue Rights to holders of Allowed Claims in Class 6. As long as a Rights Offering Adjustment has not occurred, each such Right will, among other things, entitle the holder thereof to purchase a fraction of an Arch Warrant (such fraction to be determined in accordance with Schedule II to the Merger Agreement); if a Rights Offering Adjustment has occurred, no Arch Warrants will be included in the Rights. In addition, as long as no Rights Offering Adjustment has occurred, Arch will issue Arch Warrants directly to the Standby Purchasers in consideration of their agreement to execute the Standby Purchase Commitments; if a Rights Offering Adjustment has occurred, the Standby Purchasers will receive, in lieu of Arch Warrants, Arch Participation Warrants, as described in Section V.I.6. The exercise price for each Arch Warrant would be \$8.19 per share (the "Arch Warrant Exercise Price"), payable solely in cash and not by tender of stock. The Arch Warrants would be exercisable at any time, upon 10 days' prior written notice to the Warrant Agent and tender of the Arch Warrant Exercise Price, from date of issuance through 5:00 p.m. New York City time, on September 1, 2001. The Arch Warrant Exercise Price and the number and kind of shares purchasable upon exercise of the Arch Warrants would be subject to customary adjustment upon the occurrence of certain events, including payment of dividends, subdivisions of shares, combination of outstanding shares into a smaller number of shares, reclassification of outstanding Arch Common Shares, distribution of capital stock of a subsidiary, and issuance of rights, options, or warrants to Arch stockholders at a below market price. Fractional shares will not be issued upon the exercise of Arch Warrants. Rather, the number of Arch Common Shares to be received will be rounded up or down to the nearest whole number of shares. The terms of the Arch Warrants are set forth in Exhibit B to the Merger Agreement.

²⁶ The Arch Stockholder Rights will enable Arch's existing shareholders to purchase between 2,863,000 and 34,893,000 Arch Common Shares, depending on the Buyer Market Price.

6. General Provisions of the Arch Participation Warrants.

If a Rights Offering Adjustment has occurred, the Arch Stockholder Rights issued to holders of Arch Common Shares as of the Arch Stockholder Record Date will become exercisable. Each recipient of an Arch Stockholder Right who does not exercise such Right will automatically be issued an Arch Participation Warrant. In addition, if a Rights Offering Adjustment has occurred, Arch will issue Arch Participation Warrants (in lieu of Arch Warrants) directly to the Standby Purchasers in consideration of their agreement to execute the Standby Purchase Commitments. The exercise price for each Arch Participation Warrant would be determined in accordance with Schedule II to the Merger Agreement (the "Arch Participation Warrant Exercise Price"), and would be payable solely in cash and not by tender of stock. The Arch Participation Warrants would be exercisable at any time, upon 10 days' prior written notice to the Warrant Agent and tender of the Warrant Exercise Price, from date of issuance through 5:00 p.m. New York City time, on September 1, 2001. The Arch Participation Warrant Exercise Price and the number and kind of shares purchasable upon exercise of the Arch Participation Warrants would be subject to adjustment upon the occurrence of certain events including payment of dividends, subdivisions of shares, combination of outstanding shares into a smaller number of shares, reclassification of outstanding Arch Common Shares, distribution of capital stock of a subsidiary, and issuance of rights, options, or warrants to Arch stockholders at a below market price. Fractional shares would not be issued upon the exercise of the Arch Participation Warrants. Rather, the number of Arch Common Shares to be received would be rounded up or down to the nearest whole number of shares. The terms of the Arch Participation Warrants are set forth in Exhibit B-1 to the Merger Agreement.

J. Claims Reconciliation and Objection Process

1. Bar Date for Administrative Claims.

Section 4.4(A)(1) of the Plan provides that all applications for compensation of professional persons employed by the Debtors or the Committee pursuant to orders entered by the Bankruptcy Court and on account of services rendered prior to the Confirmation Date and all other requests for payment of administrative costs and expenses incurred prior to the Confirmation Date pursuant to sections 507(a)(1) or 503(b) of the Code (except for claims for taxes, trade debt and customer deposits and credits incurred in the ordinary course of business after the Petition Date) will be served on the Reorganized Debtors, the DIP Agent, the Pre-Petition Agent, the Committee and Arch, and filed with the Bankruptcy Court, no later than 15 days after the Confirmation Date. Any such claim that is not filed and served within this time will be forever barred. Objections to any such application must be filed within 15 days after receipt thereof; provided, that Arch will have no right to object to any such application for professional fees. From and after the hearing on such applications, the Debtors (or the Reorganized Debtors if the hearing is after the Effective Date) will be authorized to pay all of its and the Committee's professionals in full based on monthly statements delivered to the Debtors subject to the final hearing described in Section 4.4(A)(2) of the Plan.

Section 4.4(A)(2) of the Plan provides that all applications for final compensation of professional persons employed by the Debtors or the Committee pursuant to orders entered by the Bankruptcy Court and on account of services rendered on or after the Confirmation Date and prior to the Effective Date and all other requests for payment of administrative costs and expenses incurred on or after the Confirmation Date and prior to the Effective Date pursuant to sections 507(a)(1) or 503(b) of the Code (except for claims for taxes, trade debt and customer deposits and credits incurred in the ordinary course of business after the Petition Date) will be served on the Reorganized Debtors, the DIP Agent, the Pre-Petition Agent, the Committee and Arch, and filed with the Bankruptcy Court, no later than 15 days after the Effective Date. Any such claim that is not served and filed within this time will be forever barred. Objections to any such application must be filed within 15 days after receipt thereof; provided, that Arch will have no right to object to any such application for professional fees.

2. Objections to Claims.

Section 4.4(B)(1) of the Plan provides that objections to any Administrative Claim (other than Administrative Claims governed by Section 4.4(A) of the Plan) and to any other Claim (other than Class 6 Claims addressed in the next sentence of Section 4.4(B)(1)) must be filed no later than the Effective Date. Objections must be filed no later than the Rights Offering Commencement Date, as to any Class 6 Claim other than Class 6 Claims relating to the rejection of executory contracts or unexpired leases pursuant to the Plan. Objections shall be served on the holder of any Claim being objected to and counsel for each of Arch, the Pre-Petition Agent, the DIP Agent and the Committee. No distribution will be made on account of any Claim that is not Allowed. To the extent any property is distributed to an entity on account of a Claim that is not an Allowed Claim, such property will be held in trust for and will promptly be returned to the Reorganized Debtors.

Section 4.4(B)(2) of the Plan provides that on and after the Effective Date, only the Estate Representative will have authority to continue to prosecute, settle or withdraw objections to Claims. After the Effective Date, the Estate Representative will be entitled to compromise or settle any Disputed Claim without seeking approval of the Bankruptcy Court. The Estate Representative will be paid subject to the budget described in Section 4.2(C)(5) of the Plan, but without seeking approval of the Bankruptcy Court.

Section 4.4(B)(3) of the Plan provides that to the extent that a Disputed Claim ultimately becomes an Allowed Claim, payments and distributions on account of such Allowed Claim will be made in accordance with the provisions of the Plan governing the Class of Claims to which such Claim belongs. As soon as practicable after the date that the order or judgment of the Bankruptcy Court allowing such Claim becomes a Final Order, any property that would have been distributed prior to the date on which a Disputed Claim becomes an Allowed Claim will be distributed, together with any dividends, payments or other distributions made on account of such property from the date such distributions would have been due had such Claim then been an Allowed Claim to the date such distributions are made (without any interest thereon).

K. Retention of Jurisdiction

Section 7.1 of the Plan provides that following the Effective Date, the Bankruptcy Court will retain such jurisdiction as is set forth in the Plan. Without in any manner limiting the scope of the foregoing, the Bankruptcy Court will retain jurisdiction for the following purposes:

1. To determine the allowability, classification, priority or subordination of Claims and Interests upon objection, or to estimate, pursuant to section 502(c) of the Code, the amount of any Claim that is or is anticipated to be contingent or unliquidated as of the Effective Date, or to hear proceedings to subordinate Claims or Interests brought by any party in interest with standing to bring such objection or proceeding;

2. To construe and to take any action authorized by the Code and requested by the Reorganized Debtors or any other party in interest to enforce the Plan and the documents and agreements filed in connection with the Plan, issue such orders as may be necessary for the implementation, execution and consummation of the Plan, including, without limiting the generality of the foregoing, orders to expedite regulatory decisions for the implementation of the Plan and to ensure conformity with the terms and conditions of the Plan, such documents and agreements and other orders of the Bankruptcy Court, notwithstanding any otherwise applicable non-bankruptcy law;

3. To determine any and all applications for allowance of compensation and expense reimbursement of professionals retained by the Debtors, the Reorganized Debtors or the Committee, and for members of the Committee, for periods on or before the Effective Date, and to determine any other request for payment of administrative expenses;

4. To determine all matters that may be pending before the Bankruptcy Court on or before the Effective Date;

5. To resolve any dispute regarding the implementation or interpretation of the Plan, the Merger Agreement or any related agreement or document that arises at any time before the Cases are closed, including determination, to the extent a dispute arises, of the entities entitled to a distribution within any particular Class of Claims and of the scope and nature of the Reorganized Debtors' obligations to cure defaults under assumed contracts, leases, franchises and permits;

6. To determine any and all applications pending on the Confirmation Date for the rejection, assumption or assignment of executory contracts or unexpired leases entered into prior to the Petition Date, and the allowance of any Claim resulting therefrom;

7. To determine all applications, adversary proceedings, contested matters and other litigated matters that were brought or that could have been brought on or before the Effective Date;

8. To determine matters concerning local, state and federal taxes in accordance with sections 346, 505 and 1146 of the Code, and to determine any tax claims that may arise against the Debtors or Reorganized Debtors as a result of the transactions contemplated by the Plan;

9. To resolve any dispute arising out of actions taken by the Estate Representative;

10. To modify the Plan pursuant to section 1127 of the Code, or to remedy any apparent nonmaterial defect or omission in the Plan, or to reconcile any nonmaterial inconsistency in the Plan so as to carry out its intent and purposes; and

11. For such other purposes as may be provided for in the Confirmation Order.

Prior to the Effective Date, the Bankruptcy Court will retain jurisdiction with respect to each of the foregoing items and all other matters that were subject to its jurisdiction prior to the Confirmation Date.

VI. CERTAIN FEDERAL INCOME TAX CONSEQUENCES

A. General Tax Considerations

The following discussion summarizes the material federal income tax consequences of the implementation of the Plan to the Debtors, Arch and the United States holders of Claims and Interests. This summary does not discuss all aspects of federal income taxation that may be relevant to a particular holder of a Claim or Interest subject to special treatment under the federal income tax laws (such as foreign taxpayers, broker-dealers, banks, thrifts, insurance companies, financial institutions, regulated investment companies, real estate investment trusts and pension plans and other tax-exempt investors), and does not discuss any aspects of state, local or foreign tax laws. In addition, the summary does not address the tax consequences to existing Arch shareholders of the implementation of the Plan or the consummation of the Merger Agreement.

This discussion is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), Treasury regulations promulgated and proposed thereunder, judicial decisions and published administrative rules and pronouncements of the Internal Revenue Service ("IRS") in effect on the date hereof, all of which are subject to change (possibly with retroactive effect). The Debtors have not received an opinion of counsel as to the federal income tax consequences of the Plan and do not intend to seek a ruling from the IRS as to any aspect of the Plan.

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS

NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM OR INTEREST. EACH HOLDER OF A CLAIM OR AN INTEREST IS STRONGLY URGED TO CONSULT WITH ITS OWN TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL OR OTHER TAX CONSEQUENCES OF THE PLAN.

B. Tax Consequences to the Debtors

The Debtors expect to report for federal income tax purposes a consolidated net operating loss ("NOL") carryforward of approximately \$400 million as of December 31, 1997. It is anticipated that a portion of this NOL will be utilized to offset consolidated net taxable income for the year ending December 31, 1998, including income from the sale pursuant to the Tower Transaction. Additional losses may be incurred prior to the Effective Date. The amount of such NOL carryforwards and other losses, and the extent to which they are or will be available to offset income of the Debtors for past and future years, has not been reviewed or approved by the IRS. In addition, the Debtors believe that at December 31, 1997 the tax basis of the Debtors' assets exceeded the value of such assets. As discussed below, certain tax attributes of the Debtors, such as NOLs and tax basis, will be subject to reduction and limitation as the result of the implementation of the Plan.

1. Cancellation of Debt.

Under the Tax Code, a taxpayer generally must include in gross income the amount of any indebtedness discharged during the taxable year for less than full consideration except to the extent that payment of the canceled debt would have given rise to a tax deduction (as, for example, accrued interest not previously deducted). However, income arising from so-called "cancellation of indebtedness" ("COD") that occurs in a case under title 11 of the Code is excluded from gross income, but the taxpayer's tax attributes must be reduced by the amount of the income so excluded. Attributes generally must be reduced in the following order: NOLs, business tax credits, capital loss carryovers, the taxpayer's basis in property and foreign tax credits. COD is the amount by which the indebtedness discharged exceeds any consideration given in exchange therefor. For purposes of determining the amount of a taxpayer's COD, consideration is equal to the sum of the amount of cash, fair market value of stock, issue price of debt, and fair market value of any other property exchanged for the discharged indebtedness. As a result of the COD income that arises from the discharge of Claims pursuant to the Plan, the Debtors will suffer attribute reduction that will substantially reduce or eliminate NOL carryforwards that otherwise might have been available to the Debtors and may also reduce tax basis in the Debtors' assets.

2. Limitations on NOL Carryforwards and Other Tax Attributes.

Following the implementation of the Plan, any carryforwards of consolidated NOLs remaining following attribute reduction, as described above, as well as certain other tax attributes of the Debtors allocable to periods prior to the Effective Date, will be subject to

limitations imposed by section 382 of the Tax Code and Treasury regulations addressing consolidated returns.

Under section 382 of the Tax Code, if a corporation undergoes an "ownership change", the amount of the pre-change losses that may be utilized to offset future taxable income generally will be subject to an annual limitation. Similarly, such limitation generally will apply to losses or deductions that are "built-in" (i.e., economically accrued but not yet taken into account for tax purposes) as of the Effective Date that are recognized within the five-year period beginning on the Effective Date. The consummation of the Plan will result in an ownership change of the Debtors. In addition, pursuant to Treasury regulations, the consolidated NOL carryovers of the Debtors remaining after the Effective Date and certain "built-in" losses or deductions, in both cases as limited by section 382, may be utilized only to offset future taxable income of the Debtor corporations and successors thereto; i.e., they may not be usable against the income of other corporations with which the Debtor corporations or their successors file a consolidated return following the Merger.

It is anticipated that the amount of the annual limitation generally would be equal to the product of (i) the lesser of the value of the outstanding stock of Merger Subsidiary (as successor to Communications) immediately after the ownership change or the value of the Debtors' consolidated gross assets immediately before such change (with certain adjustments) and (ii) the "long-term tax exempt rate" in effect for the month in which the ownership change occurs (5.15% for ownership changes occurring in August 1998). However, the annual limitation generally would be zero if, during the two-year period beginning on the date the ownership change occurs, the Debtors' successors do not either (i) continue the Debtors' historic business or (ii) use a significant portion of the Debtors' historic business assets in a business.

As stated above, section 382 of the Tax Code also operates to limit built-in losses recognized subsequent to the date of the ownership change. If a loss corporation has a net unrealized built-in loss at the time of an ownership change (taking into account assets immediately before the ownership change other than cash, cash items and marketable securities with values that do not substantially differ from their adjusted bases and taking into account all items of "built-in" income and deductions), then any built-in losses recognized during the following five years (up to the amount of the original net built-in loss) generally will be treated as a pre-change loss and similarly will be subject to the annual limitation. For this purpose, built-in losses recognized during the five-year period generally include depreciation and amortization deductions allowable for any period within the five-year period except to the extent such deductions are not attributable to built-in loss existing with respect to an asset as of the Effective Date. In general, a loss corporation's net unrealized built-in-loss will be deemed to be zero unless it is greater than the lesser of (i) \$10 million or (ii) 15% of the fair market value of its assets (with certain adjustments) before the ownership change. The Debtors believe that the tax basis and fair market value of the Debtors' assets (other than the stock of Debtors) as of the date of the ownership change will be such that they will have a net unrealized built-in loss for purposes of section 382 on the ownership change date.

In addition to the regular federal income tax consequences described above to a corporation that undergoes an "ownership change" within the meaning of section 382 of the Tax Code, for certain alternative minimum tax ("AMT") purposes, a corporation that has a net unrealized built-in-loss (as determined for AMT purposes) on the date of the ownership change, will be required to reduce its aggregate tax basis for its assets to the aggregate fair market value of such assets as of the change date.

3. Merger of Communications with and into Merger Subsidiary.

It is intended that the Merger of Communications with and into Merger Subsidiary be treated as a "reorganization" qualifying under section 368(a)(2)(D) of the Tax Code and accordingly, that the Debtors recognize no gain or loss with respect to the Merger. But see Section VI.B.1 above, regarding the reduction of the Debtors' tax attributes as a result of the cancellation of the Debtors' indebtedness.

4. Contribution of All of MobileMedia's Assets to Communications.

Under the Plan, once all Claims and Interests have been discharged pursuant to Section 6.1 thereof, MobileMedia will contribute all of its assets to Communications and thereafter immediately dissolve, and the separate corporate existence of MobileMedia will cease. No consideration will be paid to holders of Common Stock of MobileMedia, and the Common Stock will be canceled upon the dissolution. The affiliated group of Debtors that join in filing consolidated federal income tax returns will be unaffected by MobileMedia's contribution of its assets and subsequent dissolution.

5. Merger of MCCA with and into Delaware Subsidiary.

It is intended that reincorporation of MCCA as a Delaware corporation pursuant to the merger of MCCA with and into Delaware Subsidiary Co. be treated as a "reorganization" qualifying under section 368(a)(1)(F) of the Tax Code and accordingly that the Debtors recognize no gain or loss with respect to such merger.

6. Mergers of Subsidiaries of MCCA, Contributions by Merger Subsidiary to MCCA, and Contributions to License Co. LLC pursuant to Section 4.2(B) of the Plan.

Pursuant to Section 4.2(B) of the Plan, a series of transactions will be effected that will result in all of the operations of the Debtors being conducted by a single operating company -- Delaware Subsidiary Co., a Delaware corporation. It is intended that none of these transactions will result in income, gain or loss to any party to such transaction.

C. Federal Income Tax Consequences to Arch

As stated above, it is intended that the Merger of Communications into Merger